

After mid-term

\* المائل المدة :

باقي المائل المذكور لهم

يركز عليها

Tax on profits of Juridical persons:

page 3 → 6

Sales tax:

page 7 → 8

page 9 → 10

لا يوجد تعديل في Discount

الوجود في page 10

والدكتور سوف يقوم بإعداد Discount كالتالي :

• Actual discount were as Follows:

6000 For housing and stay .

500 For Foods

200 For conference

سوف يقوم بالنار كلية

Discount to clients cannot exceed the limit of 5%

page 11 → 12

page 15 → 17

Before mid-term

\* السائل المهمة :

Tax on Commercial and industrial activities:

page 11 → 15

page 18 → 24

page 67 → 70

page 53 → 64

page 1 → 9

آخر مذكره تم أخذها قبل Mid-term

page 41 → 48

+ page 65 &amp; 66

\*\* يتم المذاكرة كالاتي :Mid-term أولاً

[1] مذاكرة الى بعد

ونركز جداً على السائل المهمة التي تم تحديدها في الصفحة السابقة

[2] مذاكرة الى Before mid-term

كله معانا ولكن نركز على السائل المهمة التي تم تحديدها في أعلى الصفحة.



**Tanta University - Faculty of commerce**  
**Tax Accounting – Fourth year(14/11/20016)**

**English Section**

**Med-term exam 2016/2017**

**Time: 60 Minutes**

**Question One**

The income statement of a company showed a net income of L.E 72,500. The tax audit revealed that the following amounts were considered as expenses.

1. Donations of L.E 19,300 were paid during the year as follows:

- a) L.E 2,000 paid to a foreign school in Cairo. This school is not under the supervision of the Ministry of Education.
- b) L.E 1,800 paid to needed people in the district where the company is located.
- c) L.E 4,000 paid to Al-Salam Hospital which is a private hospital under the supervision of the Ministry of Health.

2. L.E 15,000 provision for doubtful accounts. Of this amount L.E 9,000 for bankrupt customers and L.E 6,000 for insolvent customers.

3. L.E 2,600 Allowance for unforeseen events.

4. L.E 60,000 social insurance premiums. Monthly Premium is L.E 6,000.

5. L.E 12000 for legal claim against the company but still not resolved in the court.

6. L.E 28,000 provision for retirement compensation. This amount was granted to the saving fund of employees, which is a separate legal entity and has special regulation. The monthly salaries are L.E 10,000.

7. Taxes paid by the company included L.E 14,000 taxes paid by an independent branch located in Rome.

**Required: Determine the taxable net income**

**Question Two** page 41 → illustration(7).

The income statement of Pro.Abo-Romman Company showed a net income of L.E 45,851. The tax audit revealed that the following amounts were considered as expenses.

1. Salaries expense included L.E 150, a monthly salary to Pro.Abo-Romman sister working as a bookkeeper.

2. Insurance premiums include L.E 1,800 life insurance premiums and L.E 1,200 reimbursable deposits.

3. Tax expense includes:

- a) L.E 700 real estate taxes for premises owned and occupied by the firm.
- b) L.E 3,500 taxes on commercial and industrial profit for last year,

4. Miscellaneous expenses include:

- a) L.E 600 fine for violating price quotations.
- b) L.E 1,400 theft losses. Petty cash safe was stolen.

5. Bad debts include L.E 1,300 related to an insolvent customer. The debt was due on May 31, 2005.

6. Advertising expense includes L.E 1,400 paid to Al-Ahram agency for advertisements that will be published during the next year 2006.

7. L.E 3,800 tips and gratuities (total sales revenue L.E 363,251).

**Required:** Determine the taxable net income for the year 2005 providing necessary explanations.

### Question three

Assume that a taxpayer reported a loss of L.E 40,000 for the tax year 1991, the loss did not agree by the tax department, and the results of his business activities for the years 1992-1997 were as follows:

Year	Income (loss)	
1992	5,000	
1993	6,000	خسارة 1991 - 40,000 \$ لم توافق
1994	10,000	عليها مصلحة الضرائب وبالتالي
1995	8,000	تعتبرها كأنها ليس لها وجود
1996	(9,000)	بالإضافة
1997	25,000	وعند عمل جدول الخسارة نجد أن
		بسام 1996 أول خسارة معترف
		بها ونقوم بعمل جدول مثل

**Required:**

Determine the adjusted taxable net income for each year.

page 71 في ورقة السؤال ولكني بدأت  
في عام 1996

مهمة page 72

Good luck (buona Fortuna)

**Dr. Bassam Baroma**

*[Handwritten signature]*



Part 1: Dr Medhat El Guindy (45 Marks)

Answer the following Exercises:

✓ Ex 1: The income statement shown below was prepared by a company to accompany its income tax return for 2015:

	L.E.	L.E.
Sales	600,000	
Deduct : Cost of sales	350,000	
Gross profit		250,000
Operating Expenses		
- Depreciation of fixed assets	40,000	
- Additional depreciation	5,000	
- Amortization of goodwill	3,000	
- Miscellaneous expenses	5,000	
- Insurance expense	10,000	
- Advertising expense	5,600	
- Tax expense	7,000	
- Donations	30,000	
- Provisions	20,000	
Subtotal		125,600
Net Income		124,400

The tax audit revealed the following:

1. Book value of fixed assets at the beginning of the year, L.E. 90,000.
2. Costs of a new machine used in production during the year, L.E. 40,000.
3. Development and improvement costs of machinery and equipment during the year, L.E. 10,000.
4. Selling price of assets disposed during the year, L.E. 17,000.
5. Indemnity from the insurance Co. for the destruction of a machine by fire, L.E. 8,000.
6. Goodwill was purchased 3 years ago for the amount of L.E. 50,000.
7. Insurance premiums include L.E. 4000 life insurance premiums and L.E. 1500 reimbursable deposits.
8. Advertising expense includes L.E. 2000 paid to an agency for advertisements that was published during the current year. The remaining is the cost of an advertising campaign bought on March 1, 2015.  $[2000 \text{ no adj.}] \quad [5600 - 2000 = 3600 \div 3 \text{ years} = 1200] \times \frac{10}{12} = 1000$
9. Tax expense includes:
  - L.E. 2000 real estate taxes for premises owned and occupied by the firm.
  - L.E. 5,000 taxes on commercial and industrial profit for last year.
10. Donations of L.E. 30,000 were paid during the year as follows: L.E. 10,000 paid to the local governmental unit in Tanta and L.E. 6,000 paid to the University of Tanta hospital. L.E. 10,000 paid to the Red Crescent Association and L.E. 4,000 paid to Al-Salam Hospital which is a private hospital under the supervision of the Ministry of Health.
11. The company recorded L.E. 5000 provision for increasing prices of assets and L.E. 15,000 provision for doubtful accounts. Of this amount L.E. 9000 for bankrupt customers and L.E. 6000 for insolvent customers.

look  
page  
8  
هذه  
المذكرة

Tax audit revealed that the following items were not recorded:

12. Recovered bad debts of L.E. 25,000 of which L.E. 8,000 were not approved by the tax department as uncollectible in 2014. The remainder was approved as bad debts in 2014.
13. Organization cost of L.E. 30,000 which were paid in 2010.
14. Salaries tax of L.E. 20,000 on the employees' salaries and compensations.
15. L.E. 12,000 for legal claim against the company but still not resolved in the court.

Required:

- 1- Prepare as schedule showing the tax adjustments to the accounting net income to determine the taxable net income for the year 2015 providing necessary explanations.
- 2- Show the calculation of the depreciation base.

Ex 2:

The following information is taken from the books and the tax return of XYZ Corporation, an Egyptian stock company:

- Accounting income 500,000 Egyptian pounds.
- Omitted sales of 40,000 Egyptian pounds.
- Merchandise sent to branches during the year and remaining on hand 39,000 Egyptian pounds at sale price. The ratio of profit to cost is 30%.
- Purchase of a machine with a total cost of 20,000 was recorded as purchases.
- Inventory for merchandise that the company has from manufacturers for distribution (on consignment) with total value of 15,000 Egyptian pounds was included in the company's own inventory.
- The general and administrative expenses include compensation for board members of 10,000 Egyptian pounds, 20,000 Egyptian pounds remunerations for meeting attendance, and 15,000 Egyptian pounds allowance for shareholders attendance for the general assembly of the company.
- Revenues omitted the company's share of profits from investments of a foreign company abroad. However, other expenses include foreign tax of 8,000 at a rate of 32%.
- General expenses include interest expense of 165,000 Egyptian pounds. The total equity of the company is 210,000 Egyptian pounds. The company's weighted average interest rate on all loans is 10%.

Required:

Determine taxable income for the XYZ Corporation.

*Best wishes*

*Dr Medhat El Guindy*



Q1) the following are the sales made by the Abu-Romman manufacturing corporation, a registered sales tax client, during the month of January 2015.

Sales of X product subject to 10% tax rate:

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251111

\*sales to final consumers in Egypt L.E 50,000

\*sales made through own distribution channels L.E 40,000 (whole sale discount is 20%).

\*export sales L.E 25,000

\*sales returns and allowances from December 2014 sales L.E 15,000.

\*sales to final consumer are subject to 10% trade discount and 5% cash discount.

\*product warranty bought by customers for goods sold in January is L.E 10,000.

**Required:** Determine the tax base and sales tax for the month of January 2015.

Q2) the Wiely Import/Export company imported the following items during the month of March 2015:

Auto parts with source invoice of \$2,000,000. Leather products of \$1,000,000, and Drugs of \$3,000,000

Assume: a) Exchange rate of the dollar is L.E 4 for the dollar.

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b) Tariff rates are 25% for auto parts, 20% for the leather products and 10% for drugs

c) Handling and downloading of imported goods is 3%.

d) There is a subsidizing fee for the appropriate industry at a rate of 1%.

**Required:** Determine the tax base for the above items and the sales tax due on the tariffs release point.

Q3) the Lion corporation, a registered tax collector, reported the following sales summaries for the month of July 2015:

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\*sales to end consumer L.E 4,500,000, representing 75% of the goods produced during the month. Sales tax rate is 10%.

\*sales returns and allowances L.E 250,000.

\*purchased parts needed for the final product making the sales.

\*L.E 1,100,000 including 10% sales tax paid to the supplier.

\*80% of the parts bought during the month were used in manufacturing during July 2015.

\*of the total sales during the month was L.E 1,200,000 for exports.

**Required:** Determine: a) tax base for the month      B) tax deductions      c) taxes paid

Good luck (buona Fortuna)

**Dr. Bassam Baroma**

Tax audit revealed that the following items were not recorded:

المراجعة الضريبية اكتشفت انه العناصر الآتية لم يتم تسجيلها  
في الدفاتر: [العمل لم يتم بتسجيلها]

12-

Recovered bad debts \$25000 "2015"

\$8000  
not approved  
in 2014

[no adjustment]

\$17000  
Approved in  
2014

[add]

13-

organization cost \$30,000 [2010]

يتم عمل اهلاك لتكاليف تأسيس الشركة على مدار 3 سنوات

$$\$30,000 \div 3 \text{ years} = \$10,000 / \text{year}$$



[2010 + 2011 + 2012]

وبالتالي لا يوجد اهلاك في عام 2015

No adjustment

لأنه بالفعل لم يتم بتسجيلها



14. Salaries tax \$20,000      مَوَیبة المرتبات

[No adjustment]

لا یجوز للعیل طرح مَوَیبة المرتبات والعیل بالفعل لا یقوم  
بطرحها

15. \$12,000      [No adjustment]

لأنه العیل بالفعل لم یقیم بطرحها

Ex (2) ✓

[ Juridical persons ] شركة خاصة corporation

The following data are taken from the books and tax return of the East Co., corporation company, for the fiscal year ended December 31, 2006.

- 1- Accounting income L. E. 500.000.
- 2- Inventory of raw materials as follows,
  - Beginning inventory 600 units @ L. E. 9.00
  - purchases in January 800 units @ L.E 10.00
  - purchases in April 1.000 units @ L.E. 11.00
  - purchases of July 700 units @ L.E. 12.00
  - purchases of November 900 units @ L.E. 13.00
  - Sales in December 3.000 units.
  - The company changed its materials inventory method from FIFO to LIFO
- 3- The company sent merchandise on consignment to distributor centers during the year with mark -up of 30% of the cost . At year end, the balance of sum merchandise was L.E. 26.000 at sale price.



4- Merchandise sent to branches during the year and remaining on hand at sale price L.E. 42.000 . The ratio of profits to cost is 40%.

5- purchased patent with total cost of L.E. 20.000 was recorded as purchases a entered into the calculation of merchandise available for sale by error.

6- Earned sales of L.E. 33.500 but were not recorded during the current year.

**Required :-**

- (1) Calculate the taxable income for the above company.

solution

(2) Raw materials available:-

4000 units	Beginning inventory	600 units @ \$ 9
	Purchases :-	
	Jan	800 units @ 10
	April	1.000units @ 11
	July	700 units @ 12
	Nov	900 units @ 13
	Ending inventory	1.000 units $\left[ \begin{smallmatrix} 2\text{th} \\ 4000 \\ \text{units} \end{smallmatrix} - \begin{smallmatrix} \text{sold} \\ 3000 \\ \text{units} \end{smallmatrix} \right]$
	Cost of ending inventory	cost of ending inventory
	Under FIFO	Under LIFO
	900 * 13 = 11.700	600 * 9 = 5.400
	100 * 12 = 1.200	400 * 10 = 4.000
	<hr/>	<hr/>
	12.900	9.400

There is understate = \$ 3.500

3- sale price of un sold goods      26.000 → 130%

Unrealized profit      ? → 30%

So

Unrealized profit = \$ 6.000      (Deduct)



4- sale price of un sold goods 42.000 → 140%

Unrealized profit ? → 40%

So

Unrealized profit = \$ 12.000 (Deduct)

5- cost of patent \$ 20.000 (Add)

Amortization of patent =

$20.000 * 10\% = \$ 2.000$  (Deduct)

To compute taxable Net income.

Accounting income,		500.000
Add :-		
(2) understatement of ending Inventory	3.500	
(5) cost of patent.	20.000	
(6) unrecorded sales.	33.500	
	-----	57.000
		-----
		557.000
Deduct :-		
(3) unrealized profits consignment	6.000	
(4) unrealized profits of goods that sent to branches.	12.000	
(5) Amortization of patent.	2.000	
	-----	(20.000)
		-----
Taxable net income.		537.000



Ex (5) ✓

The Following information are taken from the Accounting records and the tax from of sun Rise Company for the taxable year Ended Dec. 31.2008:-

1- Accounting Net Income 500.000

2- Inventory of raw materials :-

Beginning inventory 600 units, unit price is 6.000 purchases during Jan . 900 units @ 7.00 , purchases in March 900 units @ 8.00, purchases of July 500 units @ 10.000, purchases of Nov. 500 unit @ 10.00, Ending inventory on Dec. 31, 2008 is 600 units For the ended year of 2008, the company changed the method of valuing its inventory of raw materials From FIFO to LIFO.

3- The company sent merchandise on consignment to distributor centers during the year with mark- up of 40% of the cost. At the end of the year , the balance of this merchandise is 14.000 at sale price.

4- purchase of a merchandise Fork- Lifter with total cost of 10.000 was recorded as purchases and entered into the calculation of merchandise available for sale , The estimated useful life of the Fork- Lifter is 5 years with zero salvage value.

5- Revenue include profits of 50.000 from a subsidiary for contributions made at time of foundation.

مكتب ناتج من الفرع في تاريخ تكوينه وتأسيـة  
[معنى]

6- Revenues omitted the company's profit from investments of a Foreign company abroad. Also, expenses include Foreign taxes of 8.000 at a rate of 32% of this income.

**Required :-**

1- Determine Taxable Income for this company .



2- Raw materials available:-

Beginning inventory	600 units @ \$ 6	
Purchases :- Jan	900 units @ 7	
March	900 units @ 8	
July	500 units @ 10	
Nov	500 units @ 10	
Ending inventory	600 units	
Cost of ending inventory	cost of ending inventory	
Under FIFO	under LIFO	
500 * 10 = \$ 5.000	600 * 6 = 3.600	
100 * 10 = 1.000		
6.000	3.600	
There is understate \$ 2.400	( Add)	

3- Sale price of unsold goods 14.000 140%

Unrealized profit ? 40 %

4- Cost of Fork – Lifter \$ 10.000 (Add) ونقوم بطرح

5- Foreign taxes 32 % 8.000 Depreciation  
امتعلق بالذلة

Revenues 100 % ?

Investment Revenues = \$ 25.000

1- To compute taxable income.

Accounting net income.		500.000
Add :-		
(2) understatement of ending inventory.	2.400	
(4) cost of fork lifter.	10.000	
(6) Investment revenues.	25.000	
	-----	37.400
		-----
Deduct :-		537.400
(3) unrealized profits of consignment.	4.000	
(4) depreciation of for lifter.	2.500	
(5) profits from a subsidiary.	50.000	
	-----	(56.500)
		-----
Taxable income		480.900